

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 2607**

**TO BE ANSWERED ON MONDAY, MARCH 09, 2026/PHALGUNA 18,
1947 (SAKA)**

**IMPACT OF GST RATIONALISATION ON TOURISM AND
HOSPITALITY SECTOR**

2607. SHRI DUSHYANT SINGH:

Will the Minister of FINANCE be pleased to state:

(a) Whether the Government has undertaken any assessment of the impact of reducing GST on tourism and hospitality services from 18 per cent to 5 per cent on sectoral growth, stakeholder earnings and overall revenue generation, if so, the details thereof;

(b) whether any projections have been made by the Government regarding the contribution of this measure towards increasing the tourism sector's share in the country's GDP in line with the Government's vision of raising it to 10 per cent, if so, the details thereof; and;

(c) whether the Government has assessed the implications for the tourism sector with regards to the claiming of Input Tax Credit benefits as a result of this exemption and the consequent impact on the ability of the hospitality establishments to pass down the said benefits to the consumers, if so, the details thereof?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a) and (b): GST rates and exemptions on any supply of goods and services are prescribed on the recommendations of the GST Council, which is a Constitutional body comprising members from both the Union and State/UT Governments. Based on the Group of Ministers (GoM) Report on Rate Rationalization, the GST Council in its 56th meeting held on 03.09.2025, recommended to reduce the GST rate from 12% with ITC to 5% without ITC on supply of "hotel accommodation" services where the transaction value is Rs 7500/- or less per day.

No projections have been made regarding the contribution of this measure towards increasing the tourism sector's share in the country's GDP.

However, based on the recommendations of the 56th GST Council, the reduction in tax burden on essential goods, services and emerging sectors is expected to lower the cost of living, improve affordability, and stimulate consumption demand. Lowering of GST rates is expected to enhance trade competitiveness and support industry as it is likely to reduce transaction costs, thereby encourage small businesses to enter the formal sector and supporting greater formalisation with widening of the tax base. These measures are likely to boost GDP growth by stimulating consumption and demand. This rate reduction is expected to provide a strong stimulus to domestic industry and investment.

(C): Based on the Group of Ministers (GoM) Report on Rate Rationalization, the GST Council in its 56th meeting held on 03.09.2025 recommended to reduce the GST rate from 12% with ITC to 5% without ITC on supply of “hotel accommodation” services where the transaction value is Rs 7500/- or less per day. This was to simplify and bring the two rate tax structure to this sector. During the discussions with the stakeholders, it was emphasized that the benefit of the reduced tax rate is to be passed on directly to the consumers. By keeping the output tax rate low (5%), the overall cost of services for the end-consumer will become affordable, even if the service provider does not claim credit for taxes paid on inputs.
